



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: May 14, 2003 REPORT NO. RA-03-08

ATTENTION: Chair and Members of the Redevelopment Agency
Docket of May 20, 2003

SUBJECT: City Heights Urban Village Town Homes and Office Project

REFERENCE: Executive Director Report No. RA-00-06

SUMMARY

Issues – 1) Should the Agency approve the Second Implementation Agreement with San Diego Revitalization Corporation for the City Heights Urban Village Town Homes and Office project? 2) Should the Agency approve an amended Housing Replacement Plan for the City Heights Urban Village Town Homes and Office project?

Executive Director's Recommendation – Approve the Second Implementation Agreement and amended Housing Replacement Plan.

Other Recommendations – The City Heights Redevelopment Project Area Committee voted on August 12, 2002 to recommend approval of the proposed Second Implementation Agreement.

Fiscal Impact – Since San Diego Revitalization Corporation (SDRC) is a non-profit organization and the planned uses in the office building are also non-profit, the office building is eligible to be exempt from property taxes. In the original Disposition and Development Agreement (DDA) SDRC agreed to voluntarily keep the project on the tax roll. Estimated property taxes to be generated by the office building in the first year following completion are approximately \$225,000. However, the Agency is contractually obligated to share approximately 1/3 of these revenues with other local taxing agencies and so would be expected to keep approximately \$150,000. With the proposed Implementation Agreement SDRC would be allowed to have the office building classified as exempt from property taxes. In return SDRC would agree to pay directly to the Agency an annual in-lieu fee, which would be \$200,000 in the first year and would grow by two per cent each year. This change would result in increased revenues to the Agency.

BACKGROUND

On May 16, 2000 the Agency approved the DDA for the City Heights Urban Village Town Homes and Office Project. The Agency also approved a Housing Replacement Plan, which called for the 34 existing housing units displaced by the project to be replaced in the new project. A total of 116 new housing units are being constructed with the new project. The DDA requires that 34 of these units be rented at rates affordable to very low income (up to 50% of area median income) households for at least 45 years. The Agency is contributing \$5,115,000 for this affordable housing component. SDRC has fronted the project funding and the Agency is to repay the loan with City Heights tax increment housing setaside funds over up to thirty years.

DISCUSSION

The office tower and parking structure opened in December, 2002. The residential units are scheduled to open in June, 2003. SDRC has requested two changes to the original DDA. One would allow SDRC to apply to have the office building become exempt from property taxes. In return, SDRC would pay an annual in-lieu fee directly to the Agency. This change would result in a net fiscal gain to the Agency.

The second requested change would reduce from 34 to 31 the number of housing units in the project required to be maintained as affordable for very low income households. In return for these lost affordable units, SDRC would provide within four years three new housing units affordable to very low income households within the City Heights Redevelopment Project Area. In addition, SDRC plans to apply for a State affordable housing grant for the Town Homes and Office project. If this grant is received, SDRC will keep all 34 units affordable as required in the original DDA, but will still be obligated to provide the three additional affordable units.

The Housing Replacement Plan has been amended to account for the commitment of the three affordable housing units to be transferred from the Town Homes and Office Project to the future SDRC project.

ALTERNATIVE

Do not approve the implementation agreement and housing replacement plan. If they were not approved it would result in the loss of future revenue to the Agency and SDRC.

Respectfully submitted,

Todd G. Hooks
Deputy Executive Director
Redevelopment Agency

Approved: Hank Cunningham
Assistant Executive Director
Redevelopment Agency

CUNNINGHAM/JJL

Attachments: A. Proposed Second Implementation Agreement
B. Proposed Amended Housing Replacement Plan